

Message Text

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DRAFTED BY EB/AN:WBCOBB:TH

APPROVED BY EB/AN:MHSTYLES

CAB - MR. HORNEMAN

EA/PHL - MR. WILLNER

EB/OA - MR. MEADOWS

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R 142155Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY MANILA

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E.O. 11652: N/A

TAGS: ETRN, RP

SUBJECT: CIVAIR - BILATERAL NEGOTIATIONS

REF: MANILA 5481

1. IT HAS LONG BEEN USG OBJECTIVE TO SEEK AGREEMENT I
THE AIR TRANSPORT AREA WITH THE GOP ON AS BROAD A BASIS
AS POSSIBLE, CONSISTENT WITH OUR WORLD-WIDE POLICY
OBJECTIVES. IN THIS WAY WE WOULD SEEK TO AVOID CONTINUATION
OF THE FREQUENCY MATCHING GAME WHICH HAS GIVEN THE
PHILIPPINES EFFECTIVE CONTROL OVER THE LEVEL OF SERVICES
WHICH THE US CARRIERS MAY OFFER IN THE MARKET. WE BELIEVE
THAT THE PRESENT DESIRE OF PAL TO EXPAND SERVICE TO THE
US MAY PROVIDE AN OPPORTUNITY, NOT PREVIOUSLY AVAILABLE
TO US, TO MAKE PROGRESS TOWARD OUR LONG RANGE OBJECTIVE
AND ALTHOUGH WE HAVE NOT YET DEVELOPED A FINAL
NEGOTIATING POSITION THERE ARE A NUMBER OF OPTIONS
AVAILABLE WITHIN THE SCOPE OF A LONG RANGE AGREEMENT
CONSISTENT WITH US AVIATION POLICY.

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2. THE MINI-PACKAGE CONCEPT ADVANCED BY THE GOP WOULD NOT FURTHER OUR LONG RANGE INTERESTS AND IS ACTIVELY OPPOSED BY THE CAB AND CARRIER HEADQUARTERS. OUR INTENTION CONTINUES TO BE TO MAKE A STRONG EFFORT AT REACHING A LONG TERM ARRANGEMENT WITH THE GOP.

3. AMONG OPTIONS BETWEEN FULL BERMUDA AGREEMENT AND CAPACITY MATCHING REGIME PRESENTLY IN FORCE ARE THE FOLLOWING:

A) AN APPROXIMATELY 18 MONTH PERIOD OF REGULATED CAPACITY INCREASES TO BE FOLLOWED BY A LONG TERM AGREEMENT OF INDEFINITE DURATION IN WHICH CARRIERS WOULD INITIALLY DETERMINE LEVEL OF SERVICE, SUBJECT TO EX POST FACTO REVIEW AFTER 180 DAYS OR SUCH LONGER PERIOD AS MAY BE AGREED, UPON REQUEST OF EITHER SIDE. IN 1972 THE PHIL DEL INDICATED THAT THIS MIGHT BE POSSIBLE IF THE INITIAL REGULATED PERIOD WAS AT LEAST 3 YEARS. AT THAT TIME WE HELD TO A 1 YEAR PERIOD.

B) AN APPROXIMATELY 18 MONTH PERIOD OF REGULATED CAPACITY INCREASES TO BE FOLLOWED BY A 3 YEAR AGREEMENT WITH SAME CONDITIONS AS IN A ABOVE. THE 3 YEAR AGREEMENT MIGHT BE EXTENDED FOR ADDITIONAL PERIODS THROUGH A SIMPLE EXCHANGE OF NOTES.

C) A SIMILAR SHORT PERIOD OF REGULATED CAPACITY INCREASES, FOLLOWED BY A 5 YEAR AGREEMENT, UNDER WHICH THE GOVERNMENT WHOSE CARRIER PROPOSED THE INCREASES WOULD SCREEN THEM FOR CONSISTENCY WITH THE STANDARDS SET OUT IN THE AGREEMENT. INCREASES FOUND TO BE CONSISTENT WOULD BE NOTIFIED TO THE AUTHORITIES OF THE OTHER GOVERNMENT WHICH WOULD ALLOW THEM TO BECOME EFFECTIVE FOR AT LEAST ONE YEAR. CONSULTATIONS COULD BE HELD UPON REQUEST IF ONE PARTY CONCLUDED, ON THE BASIS OF ACTUAL OPERATING EXPERIENCE, THAT THE INCREASES UNDULY AFFECTED ITS CARRIERS.

4. COMBINATIONS OF THE ABOVE MAY BE EXPLORED DURING THE NEGOTIATIONS, BUT IT WILL BE NOTED THAT UNDER ANY LIMITED OFFICIAL USE

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OF THE PROPOSED SCHEMES WE WOULD HOPE TO COVER A PERIOD OF SEVERAL YEARS.

5. IT IS OUR IMPRESSION THAT THE CAPACITY PROBLEM MAY BE THE PRINCIPAL ISSUE BETWEEN US AT THIS TIME. IN THE

PAST THERE HAVE ALSO BEEN SERIOUS DIFFERENCES OVER ROUTE RIGHTS, AND WE CANNOT RULE OUT POSSIBILITY THAT

THEY WILL ARISE AGAIN. RUSH

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